

**Michigan Tax Preparer Handbook for
Electronic Filing Programs**

2010

Individual Income Tax E-file
(Electronic Management System (EMS))
and 2-D Barcode



Michigan Department of Treasury
www.MIfastfile.org

INDIVIDUAL INCOME TAX E-FILE HANDBOOK

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Form 3174	Michigan Direct Deposit of Refund
Form 4220	2010 Michigan Individual Income Tax Barcode Datasheet
	2010 Income Tax Forms and Instruction Booklets

CHAPTER 1

GENERAL INFORMATION

IMPORTANT ADDRESSES AND TELEPHONE NUMBERS

Michigan electronic filing (e-file) publications and forms are available on the Michigan Department of Treasury (Treasury) Web site at www.MIfastfile.org. For questions about the e-file program, contact the Michigan Electronic Filing Programs staff at:

Contact Information for Tax Preparers and Software Developers Only

E-file Coordinator and
Michigan Electronic Filing Programs Manager

Annette L. Olivier-Wolfe

Updated

Program Area, Testing, File Specifications,
and Record Layouts

<u>IIT e-file Contacts</u>	<u>2-D Contacts</u>
Nancy Agostini	Tony Thelen
Tony Thelen	Mark Chambers
Mark Chambers	Nancy Agostini

E-mail
Telephone
Teletypewriter (TTY) Assistance
Fax
Michigan Treasury Web Sites

MIfile2D@michigan.gov
(517) 636-4450
(800) 649-3777 (TTY only)
(517) 636-4378
www.michigan.gov/taxes
www.michigan.gov/treasury
www.MIfastfile.org

Mailing Address

Michigan Electronic Filing Programs Office
Michigan Department of Treasury
430 W. Allegan St.
Lansing, Michigan 48922

Internal Revenue Service (IRS) e-help desk
for authorized e-file Providers only

1-866-255-0654

IRS Tax help line for individuals

1-800-829-1040

This contact information is for **tax preparers and software developers only** and enables Treasury to provide better service to authorized e-file providers. The Michigan Electronic Filing Programs staff is unable to provide return status information or address specific taxpayer account issues. Should an error occur on the Michigan return during mainframe processing, Treasury will communicate directly with the taxpayer through the regular error resolution process. Treasury will, however, discuss return situations with the tax preparer if the appropriate authorization box has been completed on the return.

Staff is available Monday through Friday, 8 a.m. to 5 p.m. EST, except State holidays. When leaving a phone message, give as much detail as possible so that Michigan Electronic Filing Programs staff can research the question(s) and have the answer(s) ready when they call back. Speak clearly and spell any difficult names.

Treasury does not recommend sending account-specific information over the Internet. Federal and State disclosure laws require that taxpayer privacy and the confidential records that are filed with Treasury are protected. Therefore, Treasury will not send account-specific information over the Internet in response to an e-mail inquiry.

E-mail LISTSERV for Tax Professionals

The Treasury Tax Professionals LISTSERV is a free service that disseminates mass e-mail messages within seconds to all subscribers. Sign up to receive electronic communications on Treasury's e-file programs and other information of interest. To subscribe to this service or for additional information, visit www.MIfastfile.org and select Tax Preparer.

Web Listing of Authorized E-file Providers

Michigan's Web site offers a listing of tax preparers authorized to provide e-file service. Contact the Michigan Electronic Filing Programs Office at MIefile2D@michigan.gov to be removed from the Web listing or to update information. Include the Electronic Filer Identification Number (EFIN) and telephone number with the request.

Self Service Options

The Michigan Department of Treasury offers a variety of services designed to assist taxpayers and most are available 24 hours a day, seven days a week. To obtain information about an account using the Internet and Telephone Options listed below, the following information from the return is needed:

- Social Security number (SSN) of the primary filer
- Tax year of the return
- Adjusted gross income (AGI) or household income (HHI)
- Filing status.

Internet Options

www.michigan.gov/incometax

Find the following information on this Web site:

- Current year forms and instructions
- Answers to many tax preparation questions
- Most commonly used tax forms
- Free assistance in preparing tax returns
- Other tax time resources.

www.michigan.gov/iit

This secure Web site was designed specifically to protect personal tax information. Use this Web site to:

- Check the status of a return
- Check estimated payments made during the year
- Check the status of letters sent to Treasury
- Change an address
- Ask a specific question about an account.

Telephone Options

Updated

Treasury's **Automated Information Service ((517) 636-4486)** phone system is used to:

- Request the status of a refund
- Request information on estimated payments
- Order current tax year forms.

While most questions can be answered by the Automated Information Service, customer service representatives are available from 8 a.m. to 4:45 p.m., Monday through Friday, by calling (517) 636-4486.

Updated

Assistance is available using TTY through the Michigan Relay Center by calling 1-800-649-3777 or 711.

E-file returns are processed faster than paper returns. Allow 14 days before checking the status of the e-filed return using Treasury's "Check My Income Tax Info" Web site.

STATE OF MICHIGAN HOLIDAY SCHEDULE

September 6, 2010	Labor Day
November 2, 2010	Election Day
November 11, 2010	Veterans' Day
November 25 and 26, 2010	Thanksgiving
December 23 and 24, 2010	Christmas
December 30 and 31, 2010	New Year's Eve and New Year's Day
January 17, 2011	Martin Luther King Jr.'s Birthday Observed
February 21, 2011	Presidents' Day
May 30, 2011	Memorial Day
July 4, 2011	Independence Day
September 5, 2011	Labor Day
November 11, 2011	Veterans' Day
November 24 and 25, 2011	Thanksgiving
December 23 and 26, 2011	Christmas
December 30, 2010	New Year's Eve
January 2, 2012	New Year's Day

CHAPTER 2

INCOME TAX

BENEFITS OF INCOME TAX E-FILE

- **Expand services offered.** E-file is a valuable addition to a tax preparer's list of client services, which can mean more clients. In addition, prospective clients can find an authorized e-file provider by searching the database on Treasury's Web site at www.MIfastfile.org.
- **Fast refunds for e-file returns.** Paper-filed returns will take longer to process. Clients can also choose Direct Deposit and have their refunds deposited directly into their accounts at the financial institution of their choice. Allow 14 days before checking the status of the e-filed return using Treasury's "Check My Income Tax Info" Web site.
- **Improve return accuracy.** Treasury processes the same data that is entered into the computer. The computer program checks for math errors. If an error occurs on a return, the e-file software sends an error message and allows the tax preparer to immediately correct the mistake before the return is transmitted. There is two-thirds less chance of error compared to a paper return.
- **Increase customer satisfaction.** Only tax preparers and their clients see the returns. Confidential information is protected by secure socket layer (SSL) 128-bit encryption. Also, an acknowledgment is sent to verify the return was received and accepted for processing.

INTRODUCTION

Treasury has joined with the IRS to provide for electronic filing of income tax returns. The Fed/State e-file Program enables taxpayers to electronically file both federal and state returns through their tax preparers as part of the program's effort to provide "one stop shopping" for tax preparation and filing. The State-Only e-file Program enables taxpayers to electronically file their Michigan return separately from the federal return. Beginning January 14, 2011, Treasury will accept electronically transmitted individual income tax returns from all tax preparers and transmitters who have been accepted in the Fed/State e-file Program.

The *Michigan Tax Preparer Handbook for Electronic Filing Programs 2010 (Michigan Handbook)* follows the same format as *IRS Publication 1345 Handbook for Authorized IRS e-file Providers of Individual Income Tax Returns* (referred to as *Publication 1345*). The *Michigan Handbook* sets forth those items that are unique to Michigan. The *Michigan Handbook* should be used in conjunction with *Publication 1345* and the Michigan Income Tax instruction booklets. Michigan will conform to all requirements, rules, and regulations governing tax preparers as set forth by the IRS.

HIGHLIGHTS AND IMPORTANT INFORMATION FOR TAX YEAR 2010

Treasury has joined with the IRS by transitioning to the IRS Fed/State Modernized e-file (MeF) program for filing individual income tax returns. During this transition period, Michigan along with the IRS will support the current e-file program as well as MeF. The tax preparer's software will determine which method of transmission will be used based on the type of return filed. Additional information regarding the 1040 MeF program is published in *Publication 4777, 2010 Michigan Tax Preparer Handbook Supplement for 1040 MeF Program*. The information in this publication pertains to the current 1040 Fed/State e-file program.

E-file Requirements

To optimize operational efficiency and improve customer service, Treasury mandates e-file of individual income tax returns.

Tax preparers who prepare 200 or more individual income tax returns are required to e-file all eligible forms that are supported by their software. Software developers producing software for professional tax preparers will need to support e-file for all Michigan income tax forms that are included in the tax preparation software package.

Voluntary Contributions

New

The Children of Veterans Tuition Grant Program, Children's Trust Fund, and Military Family Relief Fund located on the *Michigan Individual Income Tax Return* (Form MI-1040) for tax year 2009 have been moved to the *Voluntary Contributions Schedule* (Form 4642) for tax year 2010.

New

Michigan Qualified Adoption Expenses

Michigan Qualified Adoption Expenses (Form MI-8839) will not be eligible for e-file for tax year 2010.

Updated

Renewable Energy Surcharge Credit

The credit has been reduced to 20 percent in 2010. The renewable energy surcharge credit is based on an itemized surcharge for renewable energy that may appear on the residential electric bill. Customers of DTE Energy pay the maximum surcharge of \$3 per month, customers of Consumers Energy pay \$2.50 per month, and other utilities may impose the surcharge. Taxpayers may claim the credit only if the surcharge appears on their monthly utility bill. Municipal utility customers may **not** claim this credit. To be eligible for this credit, AGI must be no more than \$65,000 for single/married filing separate or \$130,000 for joint filers.

Filing Extension Granted for Military Personnel Serving in a Combat Zone

United States military personnel serving in a combat zone on April 18, 2011, will be given 180 days after leaving the combat zone to file their federal and State tax returns and will be exempt from penalties and interest. “Combat Zone” should be entered for these returns in the Michigan Preparer Notes feature. Visit Treasury’s Web site at www.michigan.gov/taxes for more information.

General Information

For tax year 2010:

- The **personal exemption** allowance is \$3,600.
- The **tax rate** is 4.35 percent.
- The special **exemption allowance** is \$2,300.
- The **pension deductions** are \$45,120 for a single return and \$90,240 for a joint return.
- The **dividend, interest, and capital gain deductions** for senior citizens are \$10,058 for a single return and \$20,115 for a joint return.
- The **home heating credit** allowances and income ceilings are listed in the Appendix.

The information from the W-2 and 1099 forms is entered in the software and transmitted with the e-file return. Do not mail W-2s, 1099s, or federal forms and schedules to Treasury. The Schedule W should be provided to the taxpayer with the printed copy of the return.

For income tax returns, if the federal extension request was e-filed and there is no money due, tax preparers should retain a copy of the federal extension information in their file. Copies of the extension should **not** be mailed to Michigan. If money is due, either the federal or Michigan extension form must be mailed to Treasury along with the payment.

Taxpayers granted an extension to file their federal returns should enter “Federal Extension granted to MM-DD-YYYY” in the Michigan Preparer Notes field.

If the taxpayer has an obligation to file returns in multiple states, each state’s e-file program should be reviewed to determine which state should be filed as a Fed/State return.

KEY DATES AND REFERENCE INFORMATION

Michigan Income Tax Electronic Filing Calendar

For Tax Period January 1, 2010, to December 31, 2010:

Note: These dates are subject to change.

Electronic Return Acceptance Period	Identical to the IRS
Begin Federal and State Software Testing*	Identical to the IRS
Begin Transmitting Returns to the IRS and Michigan Department of Treasury	January 14, 2011
MI-1040-V Payments Due	April 18, 2011
Last Date to File MI-1040CR-7	September 30, 2011
Last Date to Transmit Michigan Returns Electronically	Identical to IRS

*State testing for software developers will begin after software developers have received some acceptance acknowledgments in accordance with the IRS guidelines outlined in *Publication 1436 Test Package for Electronic Filers of Individual Income Tax Returns for Tax Year 2010*.

State Program Data

Acknowledgment System

IRS State Acknowledgment System	(866) 255-0654 www.irs.gov
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State Personal Assurance Testing Systems (PATs) Testing

State PATs Testing Required	Software developers only
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State Program Description

Type of e-file Program	Fed/State and State-Only
Number of State Taxpayers	5 million
Number of Fed/State e-file Returns, 2009	3.3 million
E-File Refund Timeframe	Faster refunds for e-file returns
Paper Refund Timeframe	Considerably longer
Average State Refund, 2009	\$619.85
Direct Deposit	Yes
Electronic Fund Withdrawals	No
Balance Due Returns	Yes
Direct Debit/Automatic Fund Withdrawals	No
Signature Process	No - Fed/State (linked) Yes - State-Only (unlinked)

Publications

The following publications provide information for tax professionals participating in the Fed/State e-file program:

IRS Publications and Forms - www.irs.gov.

Publication 1345 Handbook for Authorized IRS e-file Providers of Individual Income Tax Returns

Publication 1345A Filing Season Supplement for Electronic Return Originators (Tax Year 2010)

Publication 1346 Electronic Return Specifications and Record Layout for Individual Income Tax Returns

Publication 1436 Test Package for Electronic Filing of Individual Income Tax Returns

Publication 3112 IRS e-file Application and Participation

Publication 4557 Safeguarding Taxpayer Data Guidelines

Publication 4600 Safeguarding Taxpayer Information

Form 9325 Acknowledgment and General Information for Taxpayers Who File Returns Electronically

Form 1040-V Payment Voucher

Treasury Publications and Forms - www.MIfastfile.org.

Publication 3015 Michigan Tax Preparer Handbook for Electronic Filing Programs 2010

Publication 4777 Michigan Tax Preparer Handbook 2010 Supplement for 1040 MeF Program

Michigan Individual Income Tax Declaration for Electronic Filing (Form MI-8453)

Michigan e-file Payment Voucher (Form MI-1040-V)

FED/STATE OR STATE-ONLY ELECTRONIC FILING

How Fed/State Electronic Filing Works

Tax preparers and transmitters accepted in the IRS e-file program may participate in the Fed/State e-file Program and file both the federal and State returns together in one transmission to the IRS Service Center. The IRS will acknowledge acceptance of the federal return and receipt of State data. The IRS acknowledgment record will indicate if a State return has been submitted. The State data will then be made available for retrieval by Treasury. After the data is retrieved, it will be acknowledged and processed by Michigan.

How State-Only Electronic Filing Works

The federal return does not have to be e-filed and accepted before e-filing the Michigan State-Only return. However, the federal tax return should be computed before computing the Michigan tax return.

Tax preparers and transmitters accepted in the IRS e-file program may participate in the State-Only e-file Program if it is supported by their software. Tax preparers will have to indicate in their software that it is a State-Only filing. The IRS will validate the primary and secondary SSNs against the names and issue an acknowledgment. If the return passes validation, the State data will be made available for retrieval by Treasury. After the data is retrieved, it will be acknowledged and processed by Michigan.

Treasury will acknowledge receipt of all returns retrieved from the IRS using the IRS State Acknowledgment Service. The transmitter should receive the Michigan acknowledgment within three days from the date the return is successfully transmitted to the IRS. The Electronic Transmitter Identification Number (ETIN) must be entered correctly in the software to act as a mailbox to receive acknowledgments. Michigan cannot post acknowledgments into unidentified mailboxes.

All returns, whether e-filed or paper-filed, are subject to Michigan audit and can be delayed regardless of the acknowledgment code received. Returns are processed and refunds are issued daily.

Taxpayers who e-file returns with tax due are responsible for submitting payment of the balance due with Form MI-1040-V by April 18, 2011. Do not include Form MI-1040-V when mailing a paper return and payment. Form MI-1040-V is to be used only for e-file payments.

APPLICATION AND ACCEPTANCE PROCESS

Who May Participate

E-filing of Michigan returns is available to all e-filers who have been accepted into the federal e-file program and who transmit returns to an IRS Service Center.

To participate, applicants must first apply to the IRS and be accepted. Individuals must register with IRS e-Services and create a new (or revised) IRS e-file application. Individuals can contact e-Help toll-free at 1-866-255-0654 for assistance with the IRS e-file application or if unable to register for e-Services.

Publication 3112 IRS e-file Application and Participation specifies the application process and requirements for federal participation. The definitions used by the IRS of the various categories of electronic filers, electronic return originators (EROs), transmitters, or software developers also apply for Michigan e-filing purposes.

Once accepted in the IRS e-file program, participation in Michigan's e-file program is automatic. Treasury will use the EFIN assigned by the IRS. Michigan does not assign any additional identification numbers.

To participate in the Fed/State and State-Only e-file programs, e-filers must use software that has successfully completed the IRS and Michigan PATS. Confirm that the software chosen has been approved for Michigan and that the Michigan e-file program is operational before transmitting returns.

If, after acceptance, a tax preparer/transmitter or software company has production problems, Treasury reserves the right to suspend that tax preparer/software company for part or all of the remainder of the filing season.

MICHIGAN PORTION OF THE ELECTRONIC RETURN

The Michigan portion of an electronic return consists of data transmitted electronically and the supporting paper documents. The paper documents contain information that cannot be transmitted electronically, such as taxpayers' signatures.

Electronic Michigan Returns

The following forms and schedules can be e-filed:

MI-1040	Individual Income Tax Return - Required for all Fed/State e-file returns; not required for State-Only e-file returns.
Schedule 1	Additions and Subtractions
Schedule 2	Nonrefundable Credits
Schedule NR	Nonresident and Part-Year Resident Schedule
MI-1040CR-5	Farmland Preservation Tax Credit Claim
Schedule CR-5	Schedule of Taxes and Allocation to Each Agreement (Including returns for Property Development Rights and/or joint agreements that are not equally apportioned)
MI-1040CR or MI-1040CR-2	Homestead Property Tax Credit Claim or Homestead Property Tax Credit Claim for Veterans and Blind People Note: Either MI-1040CR or MI-1040CR-2 may be be filed, but not both.
Schedule CT	College Tuition and Fees Credit
All required federal forms and schedules	
3174	Direct Deposit of Refund
MI-1040H	Schedule of Apportionment (one occurrence)
MI-2210	Underpayment of Estimated Income Tax
4013	Resident Tribal Member Annual Sales Tax Credit
W-2 form(s), 1099 form(s)	Note: The information from the W-2 and 1099 forms is entered in the software and transmitted with the e-file return. Do not mail W-2 and 1099 forms to Treasury. All 1099 and W-2 information, when applicable, is required when submitting a State-Only return. The Schedule W should be included in the copy of the printed return.
MI-1040D	Adjustment of Capital Gains and Losses
MI-4797	Adjustments of Gains and Losses From Sales of Business Property
4642	Voluntary Contribution Schedule
4764	Energy Efficient Qualified Home Improvement Credit
MI-1040CR-7	Home Heating Credit Claim

Assemble the documents in the order listed on page 14 with *Michigan Individual Income Tax Declaration For Electronic Filing* (Form MI-8453), if applicable, attached last and retain them in the taxpayer's file or give them to the taxpayer to retain.

If it becomes necessary to supply Treasury with a paper copy of the return and the supporting documents, it must be assembled as noted above with Form MI-8453, if applicable, attached last. *Michigan Heating Credit Claim* (Form MI-1040CR-7) should not be stapled to the return if it becomes necessary to supply Treasury with a paper copy. Instead, it should be folded and left loose in the envelope. For additional information on how to complete and file paper returns, refer to page 5 of Form MI-1040 instruction booklet.

Exclusions From E-file

When the following forms are included, Form MI-1040 **can be e-filed**, but the forms listed below must be mailed to the address indicated on the form.

MI-1045	Application for Michigan Net Operating Loss Refund
4	Application for Extension of Time to File Michigan Tax Returns

The taxpayer is **not eligible for e-file** for the 2010 tax year if:

- Filing returns or forms listed as excluded in *Publication 1345*
- Filing Form **MI-1040** and any of the following apply:
 - Fiscal year filer
 - Prior year return(s)
 - Not required to file Form U.S. 1040 if filing Fed/State
 - Filing *Michigan Amended Income Tax Return* (Form MI-1040X)
 - Filing *Historic Preservation Tax Credit* (Form 3581)
 - Filing *Schedule of Taxes and Allocation to Each Agreement* (Schedule CR-5) and taxpayer has more than 25 agreements
 - Filing *Michigan Qualified Adoption Expenses* (Form MI-8839)
 - Filing more than one occurrence of *Schedule of Apportionment* (Form MI-1040H)
 - Filing *Adjustment of Capital Gains and Losses* (Form MI-1040D) with more than 20 short-term capital gains/losses or 24 long-term gains/losses
 - Filing *Adjustments of Gains and Losses From Sales of Business Property* (Form MI-4797) with more than 16 sales/exchanges of property held over one year or more than 13 sales/exchanges of property held one year or less
 - Claiming the Individual or Family Development Account Credit
 - Claiming the Stillbirth Tax Credit
 - Claiming the *Venture Capital Investment Deduction* (Form 4534).
 - Filing *Fiduciary Income Tax Return* (Form MI-1041).

Non-electronic Portion of Michigan Returns

The non-electronic Michigan return consists of the following supporting documents:

- **Copies of other states' returns for credit.** Copies should be retained in the taxpayer's records.
- **Form MI-8453.** See the "Michigan E-file Signature Process" section of this Handbook for more information on Form MI-8453.
- **Form MI-1040-V.** If tax is due on an e-file return, the taxpayer must submit payment by check or money order by April 18, 2011, with Form MI-1040-V.
- **Copies of property tax bills.** Copies should be retained in the taxpayers' records. Treasury may request copies to verify tax information.
- **Form MI-1040CR-5.** Farmland returns claiming unequal distribution of property taxes on jointly owned land must have a distribution statement signed by all owners. Part 2 of Form MI-1040CR-5 may be used for this purpose. Do not mail a copy of Form MI-1040CR-5 or the signed statement to Treasury. A copy of the signed statement should be retained to avoid reduction and/or denial of the credit at a later date. Treasury may request a copy of the signed statement be submitted to verify the unequal distribution claimed.

MICHIGAN E-FILE SIGNATURE PROCESS

The Michigan Individual Income Tax e-file signature process is as follows:

- **For Fed/State Returns:**

Michigan will accept the federal signature (Self-Select Personal Identification Number (PIN) or Practitioner PIN). Michigan does not require any additional signature documentation. If the taxpayer chooses to complete Form MI-8453, Treasury recommends the tax preparer retain it for six years. **Do not** mail this form to Treasury.

- **For State-Only Returns:**

State-Only returns that are filed with or without Form MI-1040 can be signed using "shared secrets" or Form MI-8453 signature document. The shared secrets consist of the SSN(s), previous year's AGI or HHI, and the previous year's tax due or refund amount. If Form MI-8453 is used, the tax preparer may retain a copy of Form MI-8453. Form MI-8453 should **not** be mailed to Treasury.

Notes: The AGI or HHI and refund or tax due amount must be from the previous year's return. Treasury can accept this information from the original return, amended return, or return as corrected by Treasury.

If the return is signed using shared secrets and the return is rejected because the shared secrets do not match, the taxpayer/tax preparer may correct the shared secrets information and retransmit. There is no limit on how many times a State-Only return can be retransmitted in this circumstance.

The signed Form MI-8453 may be filed with the paper return **for signature purposes only** if the taxpayer had not previously signed a copy of the paper return. The tax preparer should then attach Form MI-8453 as the last sheet of paper and write on Form MI-8453 "for signature only."

If a taxpayer chooses Direct Deposit and the return is subsequently rejected, he or she must make sure the Direct Deposit information is entered on Form MI-1040; or, if requesting Direct Deposit for a home heating credit refund, complete *Michigan Direct Deposit of Refund* (Form 3174) and submit it with the paper return. (See Appendix for sample Form 3174.)

Declaration of Taxpayer

After the return has been prepared and before the return is transmitted electronically, the taxpayer (and spouse, if a joint return) must verify the information on the return and sign and date Form MI-8453. The tax preparer or transmitter must provide the taxpayer with a copy of the Form. Tax preparers and EROs are prohibited from allowing taxpayers to sign a blank Form MI-8453.

Corrections to Form MI-8453

If the tax preparer or transmitter makes changes to the electronic return after the taxpayer has signed Form MI-8453 but before the data has been transmitted, the tax preparer or transmitter must have the taxpayer complete a corrected Form MI-8453 if the following conditions apply:

- Federal AGI differs from the amount on the electronic return by more than \$25.
- The Michigan refund changes by more than \$5.

Non-substantive changes are permissible on Form MI-8453, provided the tax preparer or the person making the corrections initials the changes.

Volunteer Groups

If a taxpayer completes Form MI-8453, it should be mailed to Treasury. Treasury recommends collecting all of the Forms MI-8453 and, at the end of the filing season, sending them to Treasury at the address included in the instructions for the form. Volunteer tax preparers may also provide taxpayers with their Forms MI-8453 and instruct them to mail it to Treasury. If located in a permanent facility, volunteer tax preparers may retain Forms MI-8453 on file as does a paid tax preparer.

IMPORTANT REMINDERS FOR MICHIGAN RETURN PREPARATION

Direct Deposit

The Direct Deposit information for federal and State can be different. This is especially important if there is a Rapid Refund or Refund Anticipation Loan (RAL), and the Michigan refund should not go towards repayment of the loan. Make sure this information is correct for both federal and State refunds. Tax preparers may want to request documentation from the taxpayer to verify the bank account information. (See Chapter 3, page 29, for additional information on Direct Deposit.)

Important! Treasury cannot make any changes to Direct Deposit information after the return is transmitted.

Direct Deposit requests associated with a foreign bank account are classified as International ACH Transactions (IAT). If an income tax refund Direct Deposit is forwarded or transferred to a financial institution in a foreign country, the Direct Deposit will be returned to Treasury. If this occurs, the refund will be converted to a check (warrant) and mailed to the address on the tax return. Taxpayers should contact their financial institutions for questions regarding the status of their bank account.

Withholding

Verify total Michigan withholding claimed on Schedule W, line 3, agrees with total Michigan tax withheld as reported on W-2 and 1099 forms. In most cases, the total withholding amount should not exceed \$999,999. Be careful not to report federal withholding, other state withholding, or FICA amounts as Michigan tax withheld.

Form 1099-R Distribution Code

The codes for pension subtractions from box 7 of Form 1099-R must be included in the federal record information. Distribution Code 1 (Early Distribution) is not an allowable subtraction on the Michigan return.

Schedule 1

Line 20 (Miscellaneous Subtractions) on Schedule 1 must include a description of the subtraction. “Miscellaneous” or “Misc.” is not acceptable. Include the federal schedule reference, such as “See U.S. Schedule R, line 19,” if applicable. The Preparer Notes field may be used for additional description information if necessary.

Line 9 on Schedule 1 should include compensation received for active duty in the U.S. Armed Forces only. Compensation from the U.S. Public Health Service is **not** considered military pay.

Gambling winnings reported on Form 1099G are not an allowable subtraction on Schedule 1.

Homestead Property Tax Credit

A taxpayer must be a Michigan resident for at least six months in 2010 to be eligible for the homestead property tax credit.

To verify accurate information and avoid processing delays and/or adjustment of the credit, Treasury recommends the taxpayer provide property tax statements to support the property taxes claimed on Form MI-1040CR.

Property taxes should not be estimated. Ad valorem taxes that were levied on the homestead in 2009, including collection fees up to 1 percent of the taxes, can be claimed no matter when they are paid. Most special assessments for drains, sewers, and roads do not meet specific tests and may not be included in the computation of the credit. Special assessments may be included only if they are levied using a uniform millage rate, are based on taxable value, and are either levied in the entire taxing jurisdiction or they are used to provide police, fire, or advanced life support services and are levied township-wide, except for all or a portion of a village.

Verify the taxable value is correctly entered on Form MI-1040CR, line 6, and the property taxes are entered on Form MI-1040CR, line 7.

Verify the rent paid on Form MI-1040CR, line 8, is equal to the monthly rent multiplied by 12, not the annual rent multiplied by 12.

Farmland Preservation Tax Credit

It may be helpful to ask the taxpayer to provide copies of the agreements being claimed to verify information and avoid processing delays.

Agreement numbers with an expiration year-end date equal to “00” through “09” are not eligible for e-file. Tax preparers filing such returns may contact the Michigan Electronic Filing Programs Office at (517) 636-4450 for assistance.

Multiple names on property tax statements indicate joint ownership. **Returns filed claiming joint ownership must have the signed distribution statement for all other owners.** Tax preparers should retain a copy of the signed statement in their records. Do not mail the signed Form MI-1040CR-5 to Treasury. To avoid the credit being reduced or denied at a later date, the tax preparer must be able to provide a copy of the signed statement upon request.

Farmland agreement numbers consist of:

- **County Code:** First two digits of the agreement number.
- **Contract Number:** The middle set of numbers between the county code and the expiration date. This number may or may not include a letter depending on if the agreement has been split.
- **Expiration Date:** Last six digits of the agreement number. The first four digits are always “1231.” The last two digits are the year the agreement expires. Item 7 in the agreement shows the expiration date. Years ending in “00” through “08” are not eligible for e-file. Tax preparers filing agreements expiring in “2100” through “2109” may contact the Michigan Electronic Filing Programs Office for assistance.

Property Development Rights

Taxpayers filing Property Development Rights (PDR) on Form MI-1040CR-5/Schedule CR-5 are eligible for e-file. A PDR is an easement purchased from the landowner by the Michigan Department of Agriculture on behalf of the State of Michigan to protect prime farmland from development.

PDR numbers will begin with the county code where the land is located, followed by the purchase number (always begins with “PR”), followed by the date “123199.” The “123199” date is used as a default date for e-file purposes only; a PDR does not have an expiration date. An example of a PDR number would be 19-PR2625-123199.

Preparer Notes

Software may include a Preparer Notes field for the Michigan return. The purpose of this field is to capture additional descriptive information from lines that did not have sufficient space. Descriptions should only be placed here when necessary. Information should be identified by the form and line number.

Tax preparers are encouraged to utilize the Preparer Notes feature when supported by the software.

If e-filing both the federal and Michigan returns at the same time, Treasury can view information that is entered in the Preparer Notes field for the federal return. Using the Preparer Notes fields for both federal and State returns may reduce the need for Treasury to write to the taxpayer for additional information.

The federal Preparer Notes field can contain up to 4,000 data characters. The Michigan Preparer Notes field can contain up to 56 characters. Information in the Preparer Notes field should be identified by the form and line number.

Examples of information that can be included in the Preparer Notes field:

- “Combat Zone” if taxpayer is serving in a combat zone
- “Federal Extension granted to MM-DD-CCYY” if taxpayer has been granted an extension to file his or her federal return
- Explanation of a large subtraction
- Explanation of a miscellaneous subtraction
- Explanation of how a property tax credit is being filed when return is “Married filing separate,” especially when spouses maintain separate addresses
- Explanation of a property tax credit and/or home heating credit claim when two or more taxpayers are sharing a home
- Explanation of how taxpayer met expenses when HHI is very low
- Additional Form MI-1040CR-7 dependents beyond those listed on the form
- Explanation if using a mailing address other than taxpayer’s residence
- City of Toledo tax
- Co-owners share of property taxes
- Explanation of multiple credits filed from the same address
- Explanation of multiple family dwellings
- Explanation of taxpayers paying room and board/property tax credits
- Farmland agreement number reduced for exception by percent
- Farmland signed distribution on file
- Identify where prior year farmland refund is included on federal return.

Safeguarding the E-file Program From Abuse and Fraud

All authorized e-file providers must be diligent in recognizing and preventing fraud and abuse in the e-file program. Neither the IRS, Michigan, nor the program participants benefit when fraud or allegations of abuse tarnish the integrity and reputation of the program. Providers with problems involving fraud and abuse may be suspended or expelled from participation in Michigan’s e-file program, be assessed civil and preparer penalties, or be subject to legal action. Refer to IRS *Publication 4557 Safeguarding Taxpayer Data, A Guide for Your Business*, and *Publication 4600 Safeguarding Taxpayer Information*.

TRANSMITTING THE MICHIGAN ELECTRONIC RETURN

The ERO, tax preparer, and/or electronic transmitter must follow all electronic transmitting procedures, communication requirements, and technical specifications required by the IRS as defined in *Publication 1345* to transmit the State electronic return with or without the federal return.

Where to Transmit Fed/State and State-Only Returns

Participants must confirm with their software developers or direct transmitters that the software has been accepted for transmitting the returns to the IRS Service Center. Participants should also confirm that the Michigan e-file portion of the software program is operational before transmitting returns.

Important! The ETIN must be entered correctly in the software to act as a mailbox to receive acknowledgments. Michigan cannot post acknowledgments into unidentified mailboxes.

Rejection Codes Received From the IRS Service Centers

For Fed/State e-file, the IRS will perform specific consistency checks for the state return that will compare data items in the state generic record to the same data items in the federal tax return. If the data items are not identical, both returns will be rejected. For State-Only e-file, the IRS will validate the primary and secondary SSNs against the names. If the return does not pass validation, it will be rejected. Repeated rejections may cause the IRS to rescind the e-file privileges of an electronic transmitter. Refer to *IRS Publications 1345* and *1345A* for IRS rejection and error code explanation.

If a federal return is rejected due to errors listed in *Publication 1345A*, the accompanying Michigan return will also be rejected. If the error is one that can be corrected, both return records may be retransmitted to the IRS.

Michigan tax due returns are considered timely filed if the federal and State returns are originally transmitted to the IRS by April 18, 2011. Payments must be submitted with Form MI-1040-V and postmarked no later than April 18, 2011.

Acknowledgment of Michigan Electronic Returns

Michigan uses the IRS State Acknowledgment Service. The Michigan acknowledgment informs transmitters that the Michigan return data has been received. The Michigan acknowledgment is separate from the federal acknowledgment.

Do not assume that an acknowledgment from the IRS is a guarantee of receipt by Michigan.

Under normal processing conditions, the Michigan acknowledgment file is available to a transmitter within three working days of successful transmission to the IRS. Transmitters who transmit for EROs and tax preparers must notify taxpayers of the Michigan acknowledgment at the time of receipt.

Format for Michigan Acknowledgments

Michigan will perform checks for the State return during the acceptance process. Acceptance and rejection codes are defined on the following page.

- A** = Electronic return was **accepted**. **All electronically filed returns are subject to Michigan audit and can be delayed regardless of the status code given.**
- E** = A Fed/State filing is received with an Imperfect Return Indicator and the Michigan return is **accepted**.
- D** = Duplicate return: A return has already been received and **accepted** for this SSN or a duplicate of a previously **rejected** return.
- R** = The return was **rejected** by Michigan. This code will be displayed with one or two three-character status codes.

Rejected Returns

Treasury offers tax preparers the following options when Michigan returns are rejected, or if the tax preparer or transmitter encountered problems during transmission, and the Michigan return or a portion of the return was not transmitted with the federal return:

- Michigan return can be retransmitted as a State-Only return.
- If the software does not allow for State-Only e-file, the tax preparer may fax Form MI-1040 and accompanying attachments to (517) 636-4378, Attention Michigan Electronic Filing Programs Office.

Michigan Rejection Status Codes

Michigan front-end validation will include the following rejection codes:

Rejection Code “R” and “D”

<u>Status Code</u>	<u>Form</u>	<u>Description</u>
Fed/State Rejection Codes		
D	All forms	Duplicate form: A form has already been received and accepted for this SSN or a duplicate of a previously rejected return.
R-007	All forms	Invalid EFIN.
R-009	All forms	Unauthorized software developer.
R-500	MI-1040CR-5	Form MI-1040CR-5 and/or Schedule CR-5 agreement number(s) is formatted incorrectly. For additional information regarding farmland agreement numbers, refer to page 20.

R-505	Schedule CR-5	Total taxable value on Schedule CR-5, Column B, is required when filing a Farmland Preservation Tax Credit Claim.
R-510	MI-1040CR-5	Form MI-1040CR-5 Agreement expiration date (mm/dd) does not equal 1231 or year equals 00-10. Call (517) 636-4450 for assistance.
R-805	All forms	Submission indicated Form MI-1040 was present but Form MI-1040 was not included.
R-810	All forms	Submission indicated Form MI-1040 was not present but Form MI-1040 was included.
R-888	All forms	Data formatted incorrectly. Call (517) 636-4450 for assistance.
R-900	MI-1040	Incomplete Form MI-1040 return. No AGI, no taxable income, no withholding, no refund or tax due.

State-Only Rejection Codes (State-Only Indicator Used)

In addition to the Fed/State rejection codes noted above, the following apply to State-Only filings.

R-815	All forms	Electronic signature alternative does not pass validation. Correct and retransmit or use paper signature Form MI-8453.
R-820	All forms	Invalid signature type code. For additional information regarding signature type codes, refer to page 16.

FORM MI-1040-V MICHIGAN E-FILE PAYMENT VOUCHER

Michigan will accept e-file returns with a balance due at any time during the e-file processing season. Electronic filers must furnish Form MI-1040-V to a taxpayer who e-files a return with a balance due. Instructions for completing and mailing Form MI-1040-V are located on the form. See Appendix for sample Form MI-1040-V.

Tax preparers must inform taxpayers that payment of taxes due should be made no later than April 18, 2011. Taxpayers who do not make full payment of income tax on or before April 18, 2011, will receive a bill. The bill will show tax due plus applicable penalty and interest.

Important! To ensure timely posting of payments, use Form MI-1040-V only for e-file returns. Do not use Form MI-1040-V to make other payments to the State of Michigan. Do not include Form MI-1040-V when mailing a paper return and payment.

RESPONSIBILITIES OF ELECTRONIC FILERS, TRANSMITTERS, AND EROs

E-filers, transmitters, and EROs must abide by the terms set forth in the *Michigan Handbook* and must maintain a high degree of integrity, compliance, and accuracy to continue to participate in the Fed/State and State-Only e-file programs.

Program Compliance

All e-filers must comply with the requirements and specifications set forth in IRS *Publications 1345, 1345A, and 1346*; the *Michigan Handbook*; and the *E-file and 2-D Barcode Software Developer Guide, Michigan Income Tax for 2010*.

Timeliness of Filing

Transmitters must ensure electronic returns are transmitted timely. The date of transmission to the IRS will be considered the filing date for a Michigan return, providing the return was accepted. If a rejected return is corrected and retransmitted within 2-3 days of the original transmission, then the original transmission date is still considered the filing date. For the 2010 tax year, tax due returns will be considered timely filed if the original federal and Michigan returns have been transmitted on or before April 18, 2011.

Transmitters should confirm that Michigan has issued an acknowledgment of the State return before considering the State filing complete.

Tax Preparers' Responsibility to Clients

Tax preparers have been entrusted with the task of filing a client's tax return and must assume the responsibility of ensuring the return arrives at Treasury. In the event the e-filed State return fails to arrive or is rejected and cannot be retransmitted, tax preparers must notify their clients to file a paper return.

Changes on the Return

If corrections must be made once the return has been accepted and acknowledged, the taxpayer must file Form MI-1040X on paper.

Acknowledgment of the Michigan Return

Michigan acknowledgments are issued through the IRS State Acknowledgment Service.

Once Treasury has acknowledged an electronic return, transmitters are required to notify their EROs of acceptance within five working days.

Transmitters and EROs must advise taxpayers that e-file returns are usually processed within 14 business days. Allow 14 days before checking the status of an e-filed return using Treasury's "Check My Income Tax Info" Web site.

Treasury will discuss any inquiries regarding a return with errors with the taxpayer or agent who has a power of attorney on file for the year in question.

2-D BARCODES

Treasury will accept 2-D barcodes for Forms MI-1040 and MI-1040CR-7 for tax year 2010.

Benefits include:

- **Increased accuracy of data capture.** Barcode scanning is 100 percent accurate; data entry errors are eliminated.
- **Quicker access to taxpayer data.** This is especially important for Treasury's phone staff who can immediately respond to tax preparer and taxpayer questions.
- **Fewer calculation errors.** The software does the computations.
- **Reduced processing.** This saves Michigan taxpayer dollars.

Please note it will take longer to process paper returns.

Check with the software company to see if it will provide 2-D barcodes for Michigan returns. The barcode will not print directly on Forms MI-1040 and MI-1040CR-7. Instead, a separate *Individual Income Tax Barcode Datasheet* (Form 4220) will be created. Form 4220 will only be created when the taxpayer's return includes Forms MI-1040, MI-1040CR, MI-1040CR-2, and/or MI-1040CR-7, and barcoding is supported by the software vendor. The taxpayer name and address on Form 4220 must replicate the data provided on the return.

The Form MI-1040CR-7 barcode will include information from Forms MI-1040CR-7 and 3174 if they are a part of the taxpayer's filing.

2-D Barcode Reminders

The original return and Form 4220, rather than a photocopy, must be filed. Taxpayers should keep the photocopy and mail the original to Treasury. It may be helpful to mark "COPY" on the client's copy to eliminate any confusion. For those clients who e-file, this will reduce the number of duplicate returns received where the taxpayer's return was e-filed and then later mailed in with Form 4220.

When making a correction to the return, be sure to reprint the corrected page and Form 4220. If Form 4220 is not reprinted, the corrected information will not be included in the barcode.

It is recommended that the printer be capable of printing at 300 dpi. Make sure the printer has adequate toner or ink to produce a clean, readable barcode image.

"C/O" or "%" **should not** be used. "CARE OF" should be spelled out and used in place of the "C/O" or "%" symbol for all 2-D barcode returns.

2-D Barcode Content

The Form MI-1040 2-D barcode will include information from the following forms if they are a part of the taxpayer's return:

MI-1040	Individual Income Tax Return
Schedule 1	Additions and Subtractions
Schedule 2	Nonrefundable Credits
Schedule NR	Nonresident and Part-Year Resident Schedule
MI-1040CR-5	Farmland Preservation Tax Credit Claim
MI-1040CR or MI-1040CR-2	Homestead Property Tax Credit Claim or Homestead Property Tax Credit Claim for Veterans and Blind People Note: Either Form MI-1040CR or Form MI-1040CR-2 may be filed, but not both.
Schedule CT	College Tuition and Fees Credit
MI-8839	Qualified Adoption Expenses
MI-2210	Underpayment of Estimated Income Tax
4013	Resident Tribal Member Annual Sales Tax Credit
4642	Voluntary Contributions Schedule
4764	Energy Efficient Qualified Home Improvement Credit
W-2 form(s), 1099 form(s)	Note: The information from the W-2 and 1099 forms is entered in the software and printed on the Schedule W. The Schedule W should be included as part of the return. Do not mail W-2 and 1099 forms to Treasury.

When the following forms are included in a filing, a 2-D barcode can be produced for Form MI-1040, even though data from these forms is not included in the barcode.

MI-1040D	Adjustment of Capital Gains and Losses
MI-4797	Adjustments of Gains and Losses From Sales of Business Property
MI-1045	Application for Michigan Net Operating Loss Refund
Schedule CR-5	Schedule of Taxes and Allocation to Each Agreement
3581	Historic Preservation Tax Credit
4	Application for Extension of Time to File Michigan Tax Returns

CHAPTER 3 DIRECT DEPOSIT

BENEFITS OF DIRECT DEPOSIT

Michigan taxpayers can elect to have their 2010 Michigan income tax refunds directly deposited into their checking or savings accounts. When filing electronically, Direct Deposit is part of the electronic record.

Direct Deposit is:

- **Convenient.** The refund is deposited directly into the taxpayer's account at the financial institution of his or her choice.
- **Safe.** Refunds made by Direct Deposit are never lost or stolen.
- **Reliable.** Refunds are deposited electronically, even when taxpayers are on vacation or traveling on business.
- **Confidential.** On average, fewer people will see a taxpayer's account information with Direct Deposit than with paper checks.

Treasury will not honor Direct Deposit requests made by persons who owe individual or business taxes or have another State or federal debt that would result in their refunds being offset. This includes third-party debts such as child support, garnishments, or levies.

Michigan is not responsible for the misapplication of a Direct Deposit that is caused by error, negligence, or malfeasance on the part of the taxpayer, ERO, transmitter, software developer, financial institution, or any of their agents.

The authorization for Direct Deposit is voluntary and must be renewed yearly.

An e-filer who functions as an ERO must:

- Ensure the taxpayer is aware of the general information regarding a Direct Deposit.
- Not charge a separate fee for Direct Deposit.
- Accept a Direct Deposit election to the financial institution designated by the taxpayer.

<p>Note: Some smaller financial institutions may not accept Direct Deposit payments. The taxpayer or ERO should contact the financial institution to verify its capability to accept Direct Deposit transfers if unsure of the financial institution's Direct Deposit capabilities.</p>
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- Ensure that a taxpayer electing Direct Deposit meets the eligibility requirements. The taxpayer must provide proof of account from the financial institution the taxpayer designates to receive the Direct Deposit. This information is best obtained from official financial institution records, account cards, checks, or share drafts that contain the taxpayer's name and address. The account must be in the taxpayer's name.
- Direct Deposit requests associated with a foreign bank account are classified as IAT. If an income tax refund Direct Deposit is forwarded or transferred to a financial institution in a foreign country, the Direct Deposit will be returned to Treasury. If this occurs, the refund will be converted to a check (warrant) and mailed to the address on the tax return. Taxpayers should contact their financial institutions for questions regarding the status of their bank account.
- Verify the Direct Deposit information on Form MI-1040 or 3174 (if a paper filing becomes necessary) is correct and is the information transmitted with the electronic portion of the return.

John Q. Taxpayer
123 Main Street
Anytown, MI 49111

1800

ANYTOWN BANK
Anytown, MI 49111

|: 270000065 |: 300000* 91 1800

RTN Your account number

Note: The RTN and account number may appear in different places on your check

- Enter the number from left to right and leave unused boxes blank. Include hyphens but omit spaces and special symbols. The Routing Transit Number (RTN) is usually found between these symbols: |: and |: . The sample check above shows where the RTN and account number may appear.
- The RTN must be nine digits. If the first two digits are not “01” through “12” or “21” through “32,” the Direct Deposit will be rejected and a refund check will be sent to the address as filed on the return.

- Michigan tax preparers may recognize a valid Michigan RTN because it generally begins with “07” or “27,” which is the Federal Reserve District that Michigan is in. “07” is for banks and “27” is for credit unions. Upper Peninsula banks may have “09” or “29.”
- Ensure the Direct Deposit of refund for Michigan is not deposited in an RAL account for the federal refund.

Important! Advise the taxpayer that once an electronic return has been accepted for processing by the State, the Direct Deposit election cannot be rescinded. The RTN of the financial institution or the bank account number cannot be changed.

If Form MI-1040CR-7 is filed, it is important that box 5 (Are heating costs included in rent?) be clearly marked either Yes or No. Box 5 should be marked **Yes**, if:

- Heating costs are currently included in rent, or
- Heat service is in someone else’s name.

When marked **Yes**, the taxpayer will receive a refund and may choose Direct Deposit instead of receiving a paper check.

If box 5 is marked **No**, a State of Michigan energy draft will be issued. Energy drafts must be redeemed at the taxpayer’s utility company; therefore, Direct Deposit is not available.

Problems With Direct Deposit

If Treasury is unable to honor a request for Direct Deposit, a refund check will be mailed to the taxpayer’s address on the return. Following are some reasons for not honoring a Direct Deposit request:

- The taxpayer’s account was closed after the Direct Deposit request was submitted.
- The taxpayer asked to have the refund deposited into a foreign financial institution or foreign branch of a U.S. financial institution. The State of Michigan can only make Direct Deposits to accounts in U.S. financial institutions that are located in the United States.
- The taxpayer or spouse owes a debt to the State of Michigan or to a third party that requires the State to retain all or part of the refund. Treasury must satisfy this debt before issuing any remaining refund. Examples of third-party debts Treasury must satisfy include child support arrearages and debts covered by a garnishment served against the refund or credit. If this situation occurs, the taxpayer will receive a letter stating the refund amount and to which debt it was applied. Depending upon the amount of the debt, there could be no remaining refund.

- The financial institution returns the Direct Deposit because an incorrect RTN or account number was entered on the electronic record.

Treasury limits the number of deposits that can be made into any one account. Therefore, Michigan is not able to process returns when a refund is deposited into the Rush Visa Card account referenced at <https://www.rushcard.com/index.aspx>. Participation in this program would significantly delay clients' refunds.

Any assistance in discouraging taxpayers from participating in the Rush Visa Card program in Michigan would be appreciated. If the volume of accounts using this service is too large, Treasury would have to look at the possibility of issuing paper refunds to any returns with this account number listed on the return. Treasury appreciates all cooperation in this matter.

Important! Taxpayers should review their monthly statements or contact their financial institutions for Direct Deposit verification. When attempting to locate a Direct Deposit, taxpayers should request their financial institutions research savings, checking, or other accounts before contacting their tax preparers or Treasury.

PPENDIX

Table A	2010 Home Heating Credit Standard Allowance
Table B	Exemptions and Maximum Income for the Alternate Credit Computation
MI-8453	Michigan Individual Income Tax Declaration for e-file
MI-1040-V	Michigan Payment Voucher for Electronic Filing
Form 3174	Michigan Direct Deposit of Refund
Form 4220	2010 Michigan Individual Income Tax Barcode Datasheet
	2010 Income Tax Forms and Instruction Booklets

TABLE A
2010 Home Heating Credit Standard Allowance

<u>Your Exemptions</u> <u>(from line 11i)</u>	<u>Standard</u> <u>Allowance</u>	<u>Income</u> <u>Ceiling</u>
0 or 1	\$418	\$11,929
2	\$562	\$16,043
3	\$706	\$20,158
4	\$850	\$24,272
5	\$994	\$28,387
6	\$1,138	\$32,500
	+ \$144 for each exemption over 6	+ \$4,114 for each exemption over 6

TABLE B
Exemptions and Maximum Income for the
Alternate Credit Computation

<u>Your Exemptions</u> <u>(from line 11i)</u>	<u>Maximum</u> <u>Income</u>
0 or 1	\$12,691
2	\$17,078
3	\$21,469
4 or more	\$22,782